1) Last 15 year balance of Reserves at beginning of Fiscal year. **See Attachment 1 below.**

Attachment 1

	Emergency Reserve(1)	Operating Reserve(2)	Total Available	
FY 2004/05	40	1	41	
FY 2005/06	40	20	60	
FY 2006/07	40	24	64	
FY 2007/08	40	31	71	
FY 2008/09	44	38	82	
FY 2009/10	45	42	87	
FY 2010/11	46	62	108	
FY 2011/12	48	72	120	
FY 2012/13	48	65	113	
FY 2013/14	49	76	125	
FY 2014/15	50	78	128	
FY 2015/16	53	97	150	
FY 2016/17	56	90	146	
FY 2017/18	62	146	208	**(3)**
Unaudited FY 2018/19	63	188	251	

Note 1 - Although we are displaying the Emergency Reserve as a separate account for the fifteen year period, for fiscal year 2004/05, the emergency funds were actually included in a contingency within the General Fund/GSD.

Note 2 - Includes funds unassigned and available for appropriation (i.e. available fund balance).

Note 3 - The increase in FY 2017/18 is due to the savings from pension reform. The savings were set aside to offset future salary increases.

Overall Note - The above data was calculated by compiling data from the City's Comprehensive Annual Financial Report, the City's Accounting System, and past Budget Ordinances that appropriated Operating Reserves/Fund Balance. The more recent years were able to be taken directly from the CAFR, but the earlier years required additional calculations due to accounting changes that have occurred that could slightly impact the amounts.

2) Any local, state, AICPA, etc. policy or guidance that states how much reserves we should have and if so what is that formula? **The Government Finance Officers Association Along (GFOA) recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures (see Attachment 2a in the following pages). This would equate to 16.7% of revenues, or approximately $210 million. Our Ordinance Code targets are at a combined 10-14% (Operating and Emergency Reserves) and as of the end of last year, unaudited numbers indicated the City had 19.96% in combined reserves.**

Is there any policy/guidance that states what and why we should consider tapping reserves? **The City's Ordinance Code contains the following language as it relates to the Operating and Emergency Reserves. (The applicable section of the Ordinance Code is included on the following pages for your reference as Attachment 2b).**

Operating Reserves, measured as a percentage of the operating budget, are available liquid reserves which can be drawn upon if necessary, but are intended to be infrequently and sparingly used.

The Emergency Reserve can be used to address unanticipated non-reimbursed expenditures arising out of a hurricane, tornado, other major weather related events, and/or other massive infrastructure failures or other disasters, whether man made or caused by nature.

There does not appear to be any specific guidance on when, why, and for what reserves should be used, but rather that it should be determined by each government entity based on their historical needs and risk factors.

Attachment 2a

Government Finance Officers Association

BEST PRACTICE

Fund Balance Guidelines for the General Fund

BACKGROUND:

In the context of financial reporting, the term *fund balance* is used to describe the net position of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net position of governmental funds calculated on a government's budgetary basis.[1] While in both cases *fund balance* is intended to serve as a measure of the financial resources available in a governmental fund; it is essential that differences between GAAP *fund balance* and budgetary *fund balance* be fully appreciated.

1. GAAP financial statements report up to five separate categories of fund balance based on the type and source of constraints placed on how resources can be spent (presented in descending order from most constraining to least constraining): *nonspendable fund balance*, *restricted fund balance*, *committed fund balance*, *assigned fund balance*, and *unassigned fund balance*.[2] The total of the amounts in these last three categories (where the only constraint on spending, if any, is imposed by the government itself) is termed *unrestricted fund balance*. In contrast, budgetary fund balance, while it is subject to the same constraints on spending as GAAP fund balance, typically represents simply the total amount accumulated from prior years at a point in time.
2. The calculation of GAAP fund balance and budgetary fund balance sometimes is complicated by the use of sub-funds within the general fund. In such cases, GAAP fund balance includes amounts from all of the subfunds, whereas budgetary fund balance typically does not.
3. Often the timing of the recognition of revenues and expenditures is different for purposes of GAAP financial reporting and budgeting. For example, encumbrances arising from purchase orders often are recognized as expenditures for budgetary purposes, but never for the preparation of GAAP financial statements.

The effect of these and other differences on the amounts reported as *GAAP fund balance* and *budgetary fund balance* in the general fund should be clarified, understood, and documented.

It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. In most cases, discussions of fund balance will properly focus on a government's general fund. Nonetheless, financial resources available in other funds should also be considered in assessing the adequacy of unrestricted fund balance in the general fund.

RECOMMENDATION:

GFOA recommends that governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the general fund for GAAP and budgetary purposes.[3] Such a guideline should be set by the appropriate policy body and articulate a framework and process for how the government would increase or decrease the level of unrestricted fund balance over a specific time period.[4] In particular, governments should provide broad guidance in the policy for how resources will be directed to replenish fund balance should the balance fall below the level prescribed.

Appropriate Level. The adequacy of unrestricted fund balance in the general fund should take into account each government's own unique circumstances. For example, governments that may be vulnerable to natural disasters, more dependent on a volatile revenue source, or potentially subject to cuts in state aid and/or federal grants may need to maintain a higher level in the unrestricted fund balance. Articulating these risks in a fund balance policy makes it easier to explain to stakeholders the rationale for a seemingly higher than normal level of fund balance that protects taxpayers and employees from unexpected changes in financial condition. Nevertheless, GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.[5] The choice of revenues or expenditures as a basis of comparison may be dictated by what is more predictable in a government's particular circumstances.[6] Furthermore, a government's particular situation often may require a level of unrestricted fund balance in the general fund significantly in excess of this recommended minimum level. In any case, such measures should be applied within the context of long-term forecasting, thereby avoiding the risk of placing too much emphasis upon the level of unrestricted fund balance in the general fund at any one time. In establishing a policy governing the level of unrestricted fund balance in the general fund, a government should consider a variety of factors, including:

1. The predictability of its revenues and the volatility of its expenditures (i.e., higher levels of unrestricted fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile);
2. Its perceived exposure to significant one-time outlays (e.g., disasters, immediate capital needs, state budget cuts);
3. The potential drain upon general fund resources from other funds, as well as, the availability of resources in other funds;
4. The potential impact on the entity's bond ratings and the corresponding increased cost of borrowed funds;
5. Commitments and assignments (i.e., governments may wish to maintain higher levels of unrestricted fund balance to compensate for any portion of unrestricted fund balance already committed or assigned by the government for a specific purpose). Governments may deem it appropriate to exclude from consideration resources that have been committed or assigned to some other purpose and focus on unassigned fund balance, rather than on unrestricted fund balance.

Use and Replenishment.

The fund balance policy should define conditions warranting its use, and if a fund balance falls below the government's policy level, a solid plan to replenish it. In that context, the fund balance policy should:

1. Define the time period within which and contingencies for which fund balances will be used;
2. Describe how the government's expenditure and/or revenue levels will be adjusted to match any new economic realities that are behind the use of fund balance as a financing bridge;
3. Describe the time period over which the components of fund balance will be replenished and the means by which they will be replenished.

Generally, governments should seek to replenish their fund balances within one to three years of use. Specifically, factors influencing the replenishment time horizon include:

1. The budgetary reasons behind the fund balance targets;
2. Recovering from an extreme event;
3. Political continuity;
4. Financial planning time horizons;
5. Long-term forecasts and economic conditions;
6. External financing expectations.

Revenue sources that would typically be looked to for replenishment of a fund balance include nonrecurring revenues, budget surpluses, and excess resources in other funds (if legally permissible and there is a defensible rationale). Year-end surpluses are an appropriate source for replenishing fund balance.

Unrestricted Fund Balance Above Formal Policy Requirement. In some cases, governments can find themselves in a position with an amount of unrestricted fund balance in the general fund over their formal policy reserve requirement even after taking into account potential financial risks in the foreseeable future. Amounts over the formal policy may reflect a structural trend, in which case governments should consider a policy as to how this would be addressed. Additionally, an education or communication strategy, or at a minimum, explanation of large changes in fund balance is encouraged. In all cases, use of those funds should be prohibited as a funding source for ongoing recurring expenditures.

Notes:

1. For the sake of clarity, this recommended practice uses the terms GAAP fund balance and budgetary fund balance to distinguish these two different uses of the same term.
2. These categories are set forth in Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.
3. Sometimes restricted fund balance includes resources available to finance items that typically would require the use of unrestricted fund balance (e.g., a contingency reserve). In that case, such amounts should be included as part of unrestricted fund balance for purposes of analysis.
4. See Recommended Practice 4.1 of the National Advisory Council on State and Local Budgeting governments on the need to "maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures" (Recommended Practice 4.1).
5. In practice, a level of unrestricted fund balance significantly lower than the recommended minimum may be appropriate for states and America's largest governments (e.g., cities, counties, and school districts) because they often are in a better position to predict contingencies (for the same reason that an insurance company can more readily predict the number of accidents for a pool of 500,000 drivers than for a pool of fifty), and because their revenues and expenditures often are more diversified and thus potentially less subject to volatility.
6. In either case, unusual items that would distort trends (e.g., one-time revenues and expenditures) should be excluded, whereas recurring transfers should be included. Once the decision has been made to compare unrestricted fund balance to either revenues and/or expenditures, that decision should be followed consistently from period to period.

This best practice was previously titled Appropriate Level of Unrestricted Fund Balance in the General Fund.

Sec. 106.106. - Balanced Budget and Budget Stabilization Reserve.

(a) *Balanced Budget.*

(1) The annual General Fund budget for recurring expenditures of the City of Jacksonville shall be balanced from current year revenues. Current year revenue for the purposes of this section shall not include unassigned general fund general service district fund balance.

(2) The annual General Fund budget shall contain, at a minimum:

(i) Operating costs sufficient to maintain operations for the fiscal year;

(ii) Debt service;

(iii) Transfers to independent agencies

(iv) Funding for renewal, replacement and improvement of capital assets;

(v) Funding of reserves; and

(vi) Funding of contingencies.

(b) The following financial planning targets (identified as percentages of the operating budget) are established to assist the City in returning to traditional cash based funding by fiscal year 2012-2013:

(i) General Fund.

Operating Reserve	5—7%
Emergency Reserve	5—7%
Budgeted Contingency	1%
Pay-As-You-Go-Capital	The value of 1 mill of property taxes

(ii) Fleet Management.

Operating Reserve	5—7%
Operating Contingency	5%
Vehicle Replacement	Eliminate Borrowing
Vehicle Replacement Reserve	100% of the Average 10-Year Replacement Forecast

(iii) Risk Management.

Operating Reserve	5—7% of Year-End Liability
Liability	Actuarial estimate of outstanding liability (using the medium nondiscounted estimate)

Commencing in budget year 2007-2008 the budget development process should specifically address progress on one or more of the above targets; and at least one-half of any end-of-year excess of revenues over expenditures shall be used to accelerate Operating, Emergency, or Replacement Reserve development and replenishment.

(c) For purposes of this section, the following terms shall be defined as follows:

(i) *Operating Reserves,* measured as a percentage of the operating budget, are available liquid reserves which can be drawn upon if necessary, but are intended to be infrequently and sparingly used.

(ii) *Budgeted Contingency,* measured as a percentage of the operating budget, are funds available to address unanticipated budgetary events and/or situations arising during the term of the budget.

(iii) *Pay-as-you-go-Capital,* is a portion of the City capital improvements budget funded from current revenues, thereby reducing the need for borrowing and the related debt service burden on future budgets.

(d) To the extent that one time reserves remain or that General Fund/General Services District revenues exceed expenditures these amounts in the subsequent fiscal year shall be placed into an Operating Reserve and allowed to accumulate until the reserve is equal to the target set forth in subsection (b) above. The reserve shall be available to fund unanticipated revenue shortfalls and/or to fund unanticipated increases in General Fund General Services District expenditures/transfers, and/or to reduce debt in the City's short term loan fund and/or to provide funds for the Vehicle Replacement Fund.

(e) At least bi-annually, or as may be deemed necessary by the Director of Finance and Administration, the Director of Finance and Administration, working with the Council Auditor, may propose changes to the fund categories, as approved by the Mayor and City Council Finance Committee by report pursuant to Council Rules 2.214. Initially, the types of fund categories shall be as follows:

(i) "Restricted Use Funds," which means those funds that limit (e.g., by statute, grant, ordinance, etc.) use of either the revenue or fund balance;

(ii) "Business Unit Funds" or "Internal Service Funds," which means those funds designated by the Mayor and approved by the City Council Finance Committee by report pursuant to Council Rules 2.214 self-sustaining funds with established reserve targets related thereto;

(iii) "Special Situation Funds," which means those funds designated by the Mayor and City Council Finance Committee by report pursuant to Council Rules 2.214, for special or unique situations, occurrences or events wherein the year-end fund balance is targeted for a specific subsequent use; and

(iv) "General Fund Supported Funds or Sub-Funds," which mean those funds that rely substantially on General Fund support to sustain operation.

(f) For Restricted Use Funds, any projected or actual year-end fund balance shall be deemed restricted to the purpose for which such related fund was established and is continuing to operate.

(g) For Business Unit Funds and Internal Services Funds, until the established reserve targets related thereto and funding strategies established therefore have been met, any reserve available at year-end shall be retained within such related fund to allow progress toward the target set forth. Once the targets have been met and are being maintained, then any excess reserves, as of year-end, may be recaptured, if necessary, to build and/or replenish the targeted General Fund reserves.

(h) For Special Situation Funds and/or reserves therein, as long as the contractually committed forward arrangement exists, the related reserves will be held within the Special Situation Funds and/or fund reserves, as contemplated therein.

(i) For General Fund Supported Operating Funds or Sub-Funds, annually as part of the year-end audit closing, any year-end reserve created by the operations of such related fund or sub-funds shall be identified and transferred to the General Fund as a reduction of the General Fund's Operating Transfer subsidy (a "Recapture") with the intent of increasing the Operating Reserves and thereafter the Emergency Reserve. To the extent that the Recapture exceeds the annual subsidy, then the remaining year-end Recapture shall be treated as an Interfund Transfer to the General Fund.

(j) To the extent excess reserves become available (and are not otherwise restricted) in other fund categories (as defined in subsection (e) above, then a similar Recapture shall be initiated related thereto.

(k) The Director of Finance and Administration shall provide the Council Auditor with a draft of the proposed Recapture journal entry, and the Council Auditor shall have five business days from the date thereof to review and/or comment thereon, prior to any action in respect thereto.

(l) Within thirty days of a Recapture, the Director of Finance and Administration shall report to the Mayor and City Council on the following items:

(i) The Recapture exercised by fund/sub-fund; and

(ii) The status of the various targeted reserve positions.

(m) An exception to subsections (a) and (d) through (l) shall require approval by two-thirds vote of all City Council members.

(n) No later than May 31 annually, the Director of the Finance Department shall provide to the Council Auditor a proposed budget transfer to address any financial differences between budget and actuals of all-years funds that arose during the prior fiscal year. Such budget transfer shall be reviewed by the Council Auditor. The Council Auditor shall have 15 business days to review, and/or comment thereon. Legislation shall be immediately introduced after concurrence between the Finance Department and the Council Auditor to align budget with actuals. Excluded from this requirement are any all year funds that are included in the annual budget process, funds that contain reimbursement grants, or multi-year grants and funds that are self-appropriating.

(Ord. 2005-807-E, § 10.11.A; Ord. 2005-1496-E, § 1; Ord. 2006-788-E, § 10.3; Ord. 2015-428-E, § 1; Ord. 2016-140-E , § 16)

Editor's note— Ordinance 2007-839-E, § 18, authorized updated department/division names pursuant to reorganization.

Sec. 106.107. - Emergency Reserve Policy and Fund.

There is hereby established a separate fund (Emergency Reserve) in the City which shall be established as part of the budget beginning with the 2005—2006 budget and which shall annually contain the emergency reserve for the City. The initial goal for the Emergency Reserve shall be up to $40,000,000. The Emergency Reserve shall not be used except as initiated by the Mayor through written communication to City Council, explaining the emergency, and subsequent approval by two-thirds vote of all City Council members.

The Emergency Reserve can be used to address unanticipated non-reimbursed expenditures arising out of a hurricane, tornado, other major weather related events, and/or other massive infrastructure failures or other disasters, whether man made or caused by nature. Under normal circumstances, the City would first elect to utilize the Operating Reserve before considering use of its Emergency Reserve. In the event the City is entitled to reimbursement of Emergency Reserve expenditures, the City shall take all such actions necessary to secure such reimbursements, and all such reimbursements are hereby appropriated to the Emergency Reserve.

All interest earned in Emergency Reserve in Fiscal Year 2008-2009 and after shall accrue and remain within the Emergency Reserve. The balance in the Emergency Reserve shall be reported to the City Council Finance Committee at least quarterly. The goal for the City Emergency Reserve Fund is to equal approximately seven percent (25.5 days average cash flow) of the total General Fund/General Services District budgeted expenditures. Annually, during the budget process, the Mayor, if the goals are not met shall recommend added contributions to the Emergency Reserve.

(Ord. 2005-807-E, § 10.11.A; Ord. 2006-788-E, § 10.4; Ord. 2010-852-E, § 1)

3) What are examples of City of Jacksonville tapping into reserves account? **See attachment on the following pages that identifies transfers from operating reserves (Attachment 3a) and emergency reserves (Attachment 3b). While the Operating Reserves are used frequently to fund projects or used during the budget, the Emergency Reserves are rarely drawn from.**

Attachment 3a

Council Auditor's Office

Summary of General Fund - General Services District Transfers from Fund Balance since July 1, 2015

Fiscal Year	Amount	Ordinance	Bill Sponsor	Purpose
FY 2014/15				
	No Transfers after July 1, 2015			

Fiscal Year	Amount	Ordinance	Bill Sponsor	Purpose
FY 2015/16	1,192,170.00	FY 15/16 Original Budget	Mayor	Transfer funds for a new mobile radio refresh program within ITD
	1,712,868.00	FY 15/16 Original Budget	City Council	Transfer funds to Emergency Contingency
	4,500,000.00	FY 15/16 Original Budget	City Council	Transfer funds for Fleet vehicle replacement rather than borrowing
	206,968.00	Budget Schedule AF carryforwards	Carryforward	Carryforward of funding appropriated in FY 14/15 for Council Staff Services professional services ($6,968), Public Works Mowing and Landscape professional services ($100,000), and Parks & Recreation Water Taxi repairs & maintenance ($100,000)
	220,639.39	Ord. 2015-270-E carryforward	Mayor Alvin Brown	Carryforward of funding appropriated in FY 14/15 for nuisance abatement, originally appropriated from the Nuisance Abatement Lien Special Revenue Fund
	334,298.85	Ord. 2016-138-E	Mayor	Appropriated funds recaptured from Hanna Park Subfund 1D2 in 14/15 to correct negative cash balance in Huguenot Park Subfund 1D1 and fund the replacement and repair of playground equipment at Hanna Park
	213,007.75	Ord. 2016-213-E	Request of OGC	Appropriated funds to settle the NAACP, Jacksonville Branch, and the Jacksonville Brotherhood of African American Firefighters v. COJ
	1,835,971.60	Ord. 2016-259-E	Budget requirement	Appropriated funds recaptured in FY 14/15 to cure or partially cure negative cash balances in Subfunds 152 Local Government Criminal Justice, 15I Tax Collector/JEA Modernization, 15J Court Capital Improvement, 756 Greenleaf/Jacobs Clock Restoration , 757 JEDC Prepaid Grants, and 15S Clerk – Technology Recording Fees
	114,000.00	Ord. 2016-364-E	Request of OGC	Appropriated funds to settle Frank Denton v. Mayor Alvin Brown, the City of Jacksonville and the Jacksonville Police and Fire Pension Fund Board of Trustees
	177,255.00	Ord. 2016-464-E	Mayor	Appropriated funds to correct water intrusion damage and complete air quality improvements at Fire Station no. 4
	125,000.00	Ord. 2016-438-E	Request of OGC	Appropriated funds for the settlement of Palms Fish Camp litigation
	534,752.77	Ord. 2016-426-E	Mayor	Appropriated funds for the settlement with Neptune Beach for solid waste disposal fees
	143,436.75	Ord. 2016-424-E	Mayor	Appropriated funds to repay the Jaguars for costs incurred in the installation of bleachers for the 2014 FL/GA game
	$ 11,310,368.11	Total		

Fiscal Year	Amount	Ordinance	Bill Sponsor	Purpose
FY 2016/17	27,372.00	FY 16/17 Original Budget	Mayor	Transfer funds for partial funding of Public Buildings Roofing capital project
	2,983,675.00	FY 16/17 Original Budget	Mayor	Transfer funds for Collective Bargaining Contingency
	2,000,000.00	FY 16/17 Original Budget	City Council	Transfer funds to Emergency Contingency
	3,500,000.00	FY 16/17 Original Budget	City Council	Transfer funds for Fleet vehicle replacement rather than borrowing
	500,000.00	FY 16/17 Original Budget	City Council	Transfer funds for more library materials
	1,000,000.00	FY 16/17 Original Budget	City Council	Transfer funds for additional sidewalks
	3,000,000.00	FY 16/17 Original Budget	City Council	Transfer funds for additional ADA sidewalks
	313,429.96	Budget Schedule AF carryforwards	Carryforward	Carryforward of funding for DIA professional services
	78,024.00	Budget Schedule AF carryforwards	Carryforward	Carryforward for Council Operating Contingency
	800,000.00	Ord. 2016-572-E carryforward	Carryforward	Carryforward for Mosquito Control helicopter
	74,618.29	Ord. 2016-385-E carryforward	City Council	Carryforward of funding appropriated in FY 15/16 for Friends of Hemming Park for the operation and management of Hemming Park
	255,000.00	Ord. 2016-596-E	Request of OGC	Appropriated funds for the settlement of attorney's fees claims in Curtis W. Lee and The Concerned Taxpayers of Duval County, Inc. v. COJ and Jacksonville Police and Fire Pension Fund Board of Trustees
	415,313.00	Ord. 2016-736-E	Mayor	Appropriated funds to SGA Inc. for the installation of 2,054 temporary seats at Everbank Field for the 2016 Taxslayer Bowl game
	932,775.00	Ord. 2016-794-E	Mayor	Appropriated funds to cover City match for Ord. 2016-598 not included in the FY 16/17 budget
	22,564.00	Ord. 2017-5-E	Mayor	Appropriated funds for a portion of the City match for Opportunity Works @ JPL, an adult literacy GED and ESOL educational program
	2,700,000.00	Ord. 2017-56-E	Mayor	Appropriated funds to replace network equipment required for implementation of body camera project
	425,000.00	Ord. 2017-69-E	Request of OGC	Appropriated funds for the settlement of two federal litigation cases: Ability Housing of Northeast Florida, Inc. v. COJ and Disability Rights Florida, Inc. v. COJ
	805,227.00	Ord. 2017-410-E	Mayor	Appropriated funds for Summer Camp opportunities for an additional 1.700 needy children
	453,871.00	Ord. 2017-373-E	Mayor	Appropriated funds recaptured from Hanna and Huguenot Parks for capital projects at the two parks
	292,964.31	Ord. 2017-371-E	Mayor	Appropriated funds to replenish the Baymeadows 9A park project that had been previously funded with dollars not authorized for that purpose
	312,500.00	Ord. 2017-515-E	Mayor	Appropriated funds for use in City's portion of a capital project related to the St. Johns River Ferry
	2,426,922.31	Ord. 2017-601-E	Budget requirement	Appropriated funds from annual recapture to address subfunds in negative cash position
	$ 23,319,255.87	Total		

Council Auditor's Office
Summary of General Fund - General Services District Transfers from Fund Balance since July 1, 2015

Fiscal Year	Amount	Ordinance	Bill Sponsor	Purpose
FY 2017/18	7,000,000.00	FY 17/18 Original Budget	Mayor	Transfer funds to cover hurricane costs
	5,000,000.00	FY 17/18 Original Budget	Mayor	Transfer funds for Pension Reform reserve
	5,368,097.00	FY 17/18 Original Budget	Mayor	Transfer funds to Emergency Contingency
	5,000,000.00	FY 17/18 Original Budget	City Council	Transfer funds for various projects
	200,000.00	FY 17/18 Original Budget	City Council	Transfer funds for Tuition Reimbursement Program
	800,000.00	Budget Schedule AF carryforwards	Carryforward	Carryforward for Mosquito Control helicopter
	26,199.70	Budget Schedule AF carryforwards	Carryforward	Carryforward for Sheriff's Office IT equipment
	1,467,289.00	Ord. 2017-426-E carryforward	Carryforward	Carryforward for Opioid Epidemic Pilot Program
	35,817.00	Ord. 2017-749-E	Mayor	Appropriated funds for the salary and benefits of an Emergency Preparedness Planner to complete work for the Hazardous Analysis Grant Program
	275,000.00	Ord. 2017-765-E	Request of OGC	Appropriated funds for the settlement of a race discrimination and retaliation, and sex discrimination and retaliation lawsuit
	206,000.00	Ord. 2018-5-E	Mayor/Council Members	Appropriated funds for the immediate needs of the Medical Examiner's Office
	190,000.00	Ord. 2017-810-E	Request of OGC	Appropriated funds for the settlement of a sex discrimination lawsuit
	100,000.00	Ord. 2018-81-E	Request of OGC	Appropriated funds for the settlement of a race discrimination and retaliation lawsuit
	113,430.20	Ord. 2018-228-E	Budget requirement	Appropriated funds from annual recapture to address the negative cash position of Huguenot Park Subfund 1D1
	700,000.00	Ord. 2018-250-E	Mayor	Appropriated funds for fuel storage and asphalt repairs at the Fleet Management facility
	2,150,000.00	Ord. 2018-263-E	Request of OGC	Appropriated funds for the settlement of a lawsuit regarding claims pertaining to firefighter promotions
	$ 28,631,832.90			

Fiscal Year	Amount	Ordinance	Bill Sponsor	Purpose
FY 2018/19	6,200,000.00	FY 18/19 Original Budget	Mayor	Transfer funds to cover hurricane costs
	2,750,000.00	FY 18/19 Original Budget	Mayor	Settlement of lawsuit regarding claims pertaining to firefighter promotions as approved by Ord. 2018-263-E
	1,800,000.00	FY 18/19 Original Budget	City Council	Transfer additional funds to cover hurricane costs
	46,900.00	FY 18/19 Original Budget	City Council	City Council Chamber upgrade project
	641,903.37	FY 18/19 Original Budget	Mayor	Carryforward for Project Save Lives/Opioid Epidemic Program
	8,350.00	Budget Schedule AF carryforwards	Carryforward	Carryforward for Budget Office - Computer Equipment
	24,707.50	Budget Schedule AF carryforwards	Carryforward	Carryforward for Mosquito Control - Heavy Equipment
	500,000.00	Budget Schedule AF carryforwards	Carryforward	Carryforward for Parks, Recreation & Community Services Department - Security improvements at various parks and centers
	4,281.82	Budget Schedule AF carryforwards	Carryforward	Carryforward for Sheriff's Office IT equipment
	2,150,000.00	Ord. 2018-263-E carryforward	Carryforward	Carryforward of funding appropriated in FY 17/18 for settlement of lawsuit regarding claims pertaining to firefighter promotions
	533,875.00	Ord. 2018-629-E	Mayor	Appropriated funds for the City match for a Hazard Mitigation Grant to retrofit 24 fire station buildings
	100,000.00	Ord. 2018-683-E	City Council	Appropriated funds to pay for medication to be used by Gateway Community Services for Project Save Lives
	300,000.00	Ord. 2019-26-E	Mayor	Appropriated funds for the purchase of 38 covert vehicles for JSO
	317,000.00	Ord. 2019-171-E	Request of OGC	Appropriated funds for the settlement of a lawsuit alleging race discrimination and retaliation
	337,601.12	Ord. 2019-280-E	Request of OGC	Appropriated funds for the settlement of a lawsuit by the U.S. Department of Health and Human Services Office of Inspector General
	148,946.00	Ord. 2019-282-E	Budget requirement	Appropriated funds from annual recapture to address the negative cash position of Huguenot Park Subfund 1D1
	1,154,950.25	Ord. 2019-389-E	Mayor	Appropriated funds for the City match for a Hazard Mitigation Grant to acquire and demolish 17 flood-prone structures
	124,241.25	Ord. 2019-525-E	Mayor	Appropriated funds for the City match for a Hazard Mitigation Grant to acquire and demolish one flood-prone property
	0.41	Ord. 2019-453-E	City Council	Authorized the appropriation of funds to balance revenues and expenditures within projects and grants for the ERP conversion
	$ 17,142,756.72			

Summary of General Fund - General Services District Transfers from Fund Balance since July 1, 2015

Fiscal Year	Amount	Ordinance	Bill Sponsor	Purpose
FY 2019/20	3,208,316.00	FY 19/20 Original Budget	Mayor	Transfer of funds for a new records management system and replacement of end-of-life IT infrastructure equipment for JSO
	1,240,000.00	FY 19/20 Original Budget	Mayor	Transfer of funds to purchase new and replacement equipment for various fire stations and outfit three (3) new rescue units (11,12 and 14)
	164,450.00	FY 19/20 Original Budget	Mayor	Transfer of funds to purchase a new records management system for the Value Adjustment Board
	60,220.00	FY 19/20 Original Budget	Mayor	Transfer of funds to purchase laptops and various computer equipment for the Public Defender
	25,000.00	FY 19/20 Original Budget	Mayor	Transfer of funds to purchase audio/video equipment for the State Attorney's Office
	17,300.00	FY 19/20 Original Budget	Mayor	Transfer of funds to purchase computer tablets for the Courts
	2,140,049.00	FY 19/20 Original Budget	Mayor	Transfer of funds to Subfund 461 for Stormwater capital improvement projects
	1,640,813.00	FY 19/20 Original Budget	Mayor	Transfer of funds to Subfund 513 to fund vehicle replacements with cash
	19,422.00	Budget Schedule AF carryforwards	Carryforward	Carryforward for Budget Office computer equipment
	3,536.57	Budget Schedule AF carryforwards	Carryforward	Carryforward for JFRD Wellness Center equipment
	6.50	Budget Schedule AF carryforwards	Carryforward	Carryforward for Civil Service Board office equipment
	92,358.70	Budget Schedule AF carryforwards	Carryforward	Carryforward for various capital improvements in Hemming Park
	500,000.00	Budget Schedule AF carryforwards	Carryforward	Carryforward for security cameras at various playgrounds and centers
	155,000.00	Ord. 2019-293-E carryforward	Carryforward	Carryforward of funding appropriated in FY 18/19 for a one time contribution to JPA for river gauges
	400,000.00	Ord. 2019-523-E carryforward	Carryforward	Carryforward of funding appropriated in FY 18/19 for a contribution to the Mental Health Resource Center for an outpatient Comprehensive Services Center
	49,200.00	Ord. 2019-526-E carryforward	Carryforward	Carryforward of funding appropriated in FY 18/19 to City Council for the migration of historical data to the Granicus platform
	1,799,283.00	Ord. 2019-621-E carryforward	Carryforward	Carryforward of funding appropriated in FY 18/19 for the Cure Violence program
	36,933.00	Ord. 2019-646-E carryforward	Carryforward	Carryforward of funding appropriated in FY 18/19 to Goodwill for an adult workforce preparation program
	1,850,000.00	Ord. 2019-694-E	City Council	Appropriated funds for special legislative counsel for City Council regarding the JEA recapitalization event
	70,000.00	Ord. 2019-701-E	City Council	Appropriated funds for programs and activities authorized by the Northeast Florida Fire Watch Council to prevent veterans' suicide
	250,000.00	Ord. 2019-763-E	Mayor/Council Members	Appropriated funds for the Sports and Entertainment Division relocation expenses
	1,725,422.19	Ord. 2019-555 (pending)	Mayor	Proposed appropriation for the return of the contribution received from the State of Florida, Department of Environmental Protection for Metropolitan Park
	150,000.00	Ord. 2019-761 (pending)	Mayor/Council Members	Proposed appropriation to the Public Affairs Office to support a media campaign for the 2020 Census
	8,000,000.00	Ord. 2019-810 (pending)	Mayor	Proposed appropriation to UF Health Jacksonville to fund legally required county hospital expenses and to provide additional funding under that Amended and Restated Agreement for Indigent Care
	$ 23,597,309.96			

Summary

Amount	Bill Sponsor/Budget Recommendation
59,358,628.74	Mayor
25,354,386.70	City Council
4,525,270.11	Budget requirement
4,501,608.87	Request of OGC
9,434,989.75	Carryforward
220,639.39	Mayor Alvin Brown
606,000.00	Mayor/Council Members
$ 104,001,523.56	

Council Auditor's Office

Summary of Emergency Reserve Transfers since 10/1/2007

Attachment 3b

Fiscal Year	Amount	Ordinance	Bill Sponsor	Purpose
FY 2007/08	3,000,000.00	2008-029-E	Mayor	Transfer funds to GF/GSD to fund Overtime Pay for JSO Officers deployed by JSO in Operation Safe Streets
	$ 3,000,000.00	Total		

Fiscal Year	Amount	Ordinance	Bill Sponsor	Purpose
FY 2009/10	3,210,274.18	FY 09/10 Original Budget	Mayor	Swept interest earnings to the GF/GSD
	$ 3,210,274.18	Total		

4) What are risks and impacts to reducing our reserve balance? (Bond ratings, another emergency happens and we don't have funds and have to borrow, etc.) **You have identified the main two impacts to reducing balances. Another consideration is the ability to use reserves through the pooled cash approach to cover the upfront costs of emergencies because of the timing delay in FEMA reimbursements.**

As seen in the following 2019 S&P Ratings Summary (Attachment 4a), the available fund balance contributing to strong budgetary flexibility is seen as a favorable measure in their outlook of the City of Jacksonville. See highlighted sections discussing this subject.

Attachment 4b is a Fitch Ratings report. This document was not able to be highlighted so we have extracted a couple quotes from within this report.

> Page 1 - The 'AA' IDR reflects Fitch's expectation that the city will continue to demonstrate a prudent level of fiscal management, contributing to generally stable financial results and adherence to formal reserve policies that we view as an integral part of the city's overall financial resiliency.
>
> Page 6 - The city is required by ordinance to maintain a separate emergency and operating reserve each equal to 5% to 7% of spending. On a combined basis the reserve policies amount to a level Fitch views as sufficient in a downturn for the 'aaa' operating performance assessment.

Attachment 4a

S&P Global
Ratings

RatingsDirect®

Summary:
Jacksonville, Florida; Appropriations; General Obligation; Miscellaneous Tax

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Summary:

Jacksonville, Florida; Appropriations; General Obligation; Miscellaneous Tax

Credit Profile		
US$153.855 mil spl rev and rfdg ser 2019A due 10/01/2039		
Long Term Rating	AA/Stable	New
US$49.365 mil spl rev and rfdg ser 2019B due 10/01/2030		
Long Term Rating	AA/Stable	New

Rationale

S&P Global Ratings assigned its 'AA' long-term rating to the City of Jacksonville, Fla.'s series 2019A and 2019B special revenue and refunding bonds, secured by its covenant to budget and appropriate legally available non-ad valorem revenue ("covenant revenue"). At the same time, S&P Global Ratings affirmed its 'AA' long-term rating on the city's outstanding special revenue bonds and its 'AA' long-term rating and underlying rating (SPUR) on the Jacksonville Office of Economic Development's industrial development revenue bonds, all secured by the covenant revenue pledge. Finally, we affirmed our 'AA' issuer credit rating (ICR) on the city. The outlook is stable.

The city's covenant revenues secures the special revenue bonds and industrial development revenue bonds (IDRBs). The 2005 parking IDRBs are the only rated IDRBs that carry backing from the city's non-ad valorem pledge. The city's series 2009B-1A, 2010B, 2011B, 2013C, 2016B, and 2017B special revenue (covenant) bonds also have access to a subordinate lien on the city's 0.5% infrastructure sales surtax following senior debt service and approved operating and capital expenditures, though we rate the bonds based on the covenant revenue.

Proceeds from the 2019A bonds will be used to finance approximately $62 million in various capital projects and refinance the city's 2008A and 2008B capital projects revenue bonds and 2009A excise tax revenue bonds for debt service savings with no extension of maturity. Proceeds from the 2019B bonds will be used to refinance the 2009B-1B for debt service savings with no extension of maturity.

Covenant revenue represents legally available non-ad valorem revenue deposited to the city's general fund; such revenue is available to pay debt service only after the city covers essential government services and debt service secured by direct pledges of one or more non-ad valorem revenue sources. The primary sources include sales tax, state revenue sharing, and utilities service taxes. Jacksonville has covenanted to budget and appropriate covenant revenue in an amount sufficient to make all required debt service payments. Covenant revenue totaled $552 million in fiscal 2018, having increased 2.1% year over year and 12.0% over five years. Although we do not consider coverage when assessing the pledge, given that we view it under the lens of the city's general creditworthiness, we note the adequacy of covenant revenue, which provides 3.9x maximum annual debt service coverage.

Under our methodology "Issue Credit Ratings Linked to U.S. Public Finance Obligors' Creditworthiness," published

Jan. 22, 2018 on RatingsDirect, we view the city's non-ad valorem covenant revenue pledge as equivalent to our ICR on the city, reflecting its general creditworthiness. In our view, the broad composition of the revenue, constituting 51% of total general fund revenue, the city's reliance on the revenue for general operations, and the essential nature of projects financed with the bonds support this position. Furthermore, the rating reflects our view that covenant revenue obligations are considered a debt of the city and the obligations are cumulative to the extent not paid.

In our view, the city's position as largest in the state combined with diverse economic activity, less reliance on tourism and second homes relative to much of the state, and stable growth supports its credit profile. Economic growth and conservative budgeting have enabled the city to accumulate a sizable reserve and liquidity position relative to expenditures. Although the city has successfully implemented pension reform leading to budgetary relief, the ultimate success of the reform will depend on whether certain assumptions will hold up over time, which introduces long-term uncertainties regarding the liability. Furthermore, the city remains exposed to uncertainties regarding its largest component unit--JEA--and the future of its electric enterprise in particular. JEA is facing a challenging operating environment and exposure to cost overruns at the Nuclear Plant Vogtle in Georgia through a power purchase agreement (PPA). Amid these pressures, the utility is considering options to improve operating balance, including publicly communicated options that consider eliminating JEA's regular transfer to the city general fund, equal to around 10% of revenue. JEA and the city are also involved in a lawsuit regarding the terms of the PPA, which we detail in our report. The city is also considering recapitalization or privatization of the utility. In our view, the circumstances surrounding JEA--whether that be the ongoing viability of transfers to the city or its lawsuit with MEAG--could challenge the rating. The city's budget and liability position could also be challenged over the medium term if pension assumptions are not met. However, our view of the city's economy, strong budgetary practices and flexibility, and very strong liquidity support the rating.

The 'AA' ICR reflects our view of the city's:

- Very strong economy, with access to a broad and diverse metropolitan statistical area (MSA) and a local stabilizing institutional influence;
- Strong management, with good financial policies and practices under our financial management assessment methodology;
- Strong budgetary performance, with balanced adjusted operating results in the general fund and an operating surplus at the total governmental fund level in fiscal 2018;
- Very strong budgetary flexibility, with an adjusted available fund balance in fiscal 2018 of 18% of operating expenditures, and our view of the city's flexibility to raise additional revenue despite statewide tax caps;
- Very strong liquidity, with total government available cash at 55.9% of total governmental fund expenditures and 4.4x governmental debt service, and access to external liquidity we consider exceptional;
- Very weak debt and contingent liability position, with debt service carrying charges at 12.6% of expenditures and net direct debt that is 141.0% of total governmental fund revenue, and a large pension and other postemployment benefit (OPEB) obligation and the extended timeframe in which pension reform is anticipated to result in improvements to the net pension liability, but low overall net debt at less than 3.0% of market value; and
- Strong institutional framework score.

Very strong economy

We consider Jacksonville's economy very strong. The city, with an estimated population of 905,819, is located in Duval County in the Jacksonville MSA, which we consider broad and diverse. The city also benefits, in our view, from a stabilizing institutional influence. The city has a projected per capita effective buying income of 93.4% of the national level and per capita market value of $119,272. Overall, the city's market value grew by 5.5% over the past year to $108 billion in 2019. The county unemployment rate was 3.6% in 2018.

Jacksonville is a consolidated city-county that extends throughout Duval County and anchors the broad and diverse Jacksonville MSA. It is the economic driver for the seven-county Northeast Florida region. The city's largest employers include the Naval Air Station Jacksonville (19,800 employees), Duval County Public Schools (12,060), Baptist Health (9,800) and Naval Station Mayport (9,000). We believe the significant military presence--with Jacksonville being the second-largest Naval Complex on the East Coast--serves as a stabilizing institution.

Jacksonville and the surrounding area continue to recover from the most recent national recession. The city's population has grown by 7.4% over the past 10 years and 6.9% over the past five years while the labor market has continued to strengthen, with the unemployment rate falling to 3.1%, below state and national figures, as of May 2019. Housing prices in the metro area have continued to rebound, with housing prices increasing over the pre-recession peak within the past year according to the Federal Housing Finance Agency's Housing Price Index. However, values have risen nearly 62% from their postrecession low in 2012, according to the index. Furthermore, construction permits within the city continued an upward trend through 2018, reaching their highest level since 2012. This has translated to market value (AV) growth of 27.1% over the past five years.

Several key projects include mixed-used development on the city's "Southbank," opposite the St. Johns Rivers from the downtown area, and the Sports Complex Lot J and adjacent shipyard. Significant recent employment additions from several internet retailers, including Amazon and Wayfair, and an expansion by VyStar Credit Union. Volume growth at the Port of Jacksonville is likely to continue following deepening projects of the St. Johns River to accommodate larger Panamax-sized container ships. In our opinion, continued development across all property types combined with Jacksonville's relatively limited exposure to the tourism industry will provide stable growth in line with the broader economic landscape, as reflected in our most recent conditions forecast, published July 31 2019.

Strong management

We view the city's management as strong, with good financial policies and practices under our financial management assessment methodology, indicating our view that financial practices exist in most areas, but that governance officials might not formalize or monitor all of them on a regular basis.

We believe the city's proactive and sophisticated financial management is reflected in its formalized policies and practices, resulting in what we consider strong management conditions. When crafting the annual budget, the city uses a combination of historical revenue and expense data coupled with economic trends, expected revenue and expense changes, and tax base forecasts in an effort to generate conservative figures. This process has shown to be effective, as revenue and expenditures have generally been in line with or better than budgeted expectations. The city reviews budgetary performance regularly with comprehensive reports made available to the city council on a quarterly basis. Additionally, the city maintains a comprehensive five-year capital improvement plan that identifies funding sources. In preparing its capital plan, the city forecasts revenue and fund balance levels to ensure that long-term goals surrounding liquidity and debt are met. The city also prepares a debt affordability study that incorporates its capital plan and reserve and liquidity goals. The city maintains a formalized investment management policy with quarterly reporting. The city also maintains a formalized debt management policy that sets quantitative targets in terms of debt to market value, debt service as a percentage of expenditures, and amortization targets. Additionally, the policy restricts variable rate to 30% of total debt. The city's reserve policy requires the maintenance of 5% to 7% emergency reserves and 5% to 7% operating reserves.

In light of the recent litigation that the city entered into jointly with JEA, and given JEA is Jacksonville's largest component unit, we continue to monitor the city's effective governance over JEA and its connection with JEA's management. Given that the litigation is challenging the terms of long-term contractual agreement that JEA entered into with MEAG in 2008 and given the overlapping governance between JEA and the city, we maintain heightened concerns over the degree to which the city's controls over JEA could have negative credit implications for the city. Regardless of the outcome of the litigation, the city contends that JEA and the city will support their contractual obligations as they come due. Thus, we do not believe the city's involvement raises questions regarding its willingness or ability to support its obligations. We will continue to monitor the city's involvement in the joint lawsuit with JEA against MEAG and how Jacksonville's overlapping governance and intention to politically and financially support JEA could affect the city's credit quality. For additional details, see our report published Oct. 23, 2018 and our most recent report on JEA's electric enterprise, published Sept. 28, 2018.

To address immediate and long-term climate and weather-related risks, to which the city maintains exposure given its location near the coast and the propensity for flooding along the St. Johns River, the city recently formed a Storm Resiliency and Infrastructure Development Review Committee. The first task of the committee was to update building codes for new construction and ensure beach nourishment efforts were complete. The committee is developing a long-term resiliency plan designed to review and improve infrastructure adequacy in the face of climate change. Other plans include raising piers above storm surge levels and instituting technology continuity sites at remote locations. We understand the city has taken steps to buy out certain parcels in flood prone areas. We will continue to monitor and report changes to credit quality as our opinion and understanding of climate-related and "tail" risks such as major storms evolves.

Strong budgetary performance

Jacksonville's budgetary performance is strong, in our opinion. The city had balanced operating results in the general fund of 0.3% of expenditures, and surplus results across all governmental funds of 7.4% in fiscal 2018. General fund operating results of the city have been stable over the last three years, with a result of 0.2% in 2017 and a result of 2.4% in 2016.

We adjust our view of operating performance to include regularly occurring transfers and expenditures financed or reimbursed from bond proceeds. We also adjusted operating results to account for the effects of the city's pension reform efforts, which resulted in substantial pension expenditure savings in 2018 relative to 2017. The city utilized the bulk of the pension reform savings, realized in the form of lower required contributions, to fund a pension reform reserve equal to approximately $52 million to offset any budgetary challenges from employee raises agreed to as part of the reform agreement. Our analysis also adjusts nonrecurring items related to storm damage and recovery.

The city has maintained positive operating results in its general fund since 2014, as revenue growth has outpaced expenditure growth. Pressures from mounting pension contributions, the growth of which was anticipated to cannibalize as much as 30% of future budgets, was alleviated through pension reform enacted in 2017 and realized in the 2018 audit. Even after accounting for the effects of pension reform, fiscal 2018 yielded an operating surplus as revenue and expenditures exceeded budgetary expectations.

Property taxes are Jacksonville's largest source of general revenue, at 52% of general fund revenue for fiscal 2018. Intergovernmental revenue represented the next largest source at 15%, followed by utility taxes at 11%.

We note the general fund receives a contribution from the JEA equal to approximately 10.1% of revenue. The contribution, established through city ordinance through 2023, is effectively determined as a payment in lieu of property taxes based on electricity and water/sewer service. Under city ordinance, payments increase to $122.4 million through the 2023 budget. JEA is also responsible for franchise fees equal to 3% of the system's revenue. As JEA faces the prospect of substantially rising rates to offset its expenditure trajectory, the utility has publicly questioned whether the level of transfers to the general fund can be sustained following 2023. However, withstanding a privatization, the city emphasizes that transfers from JEA will likely be renewed after 2023. The utility is considering renewed plans for privatization or recapitalization, with bids to the public open. Management reports that in the event the utility is privatized, eliminating the source of regular annual transfers, the city would explore other revenue options from the new entity, such as property taxes or payments in lieu of taxes. Another possibility from privatization as noted by the city is to utilize the gain to pay off a portion or all of the city's general government debt, which would free up a proportion of its budget approximately equivalent to the size of the transfer. We note that a reduction in JEA transfers without offsetting increases to other revenue or expenditure reductions could result in significant budgetary pressure. We believe transfers will continue as planned, pending a privatization, and the city has the resources to plan with JEA regarding its contributions after 2023.

For fiscal 2019 (ending Sept. 30), officials project adding approximately $12 million to the pension reserve, bringing the total $64 million, and realizing a positive operating variance relative to the budget, adding approximately $5 million to general reserves. We believe the city's projection of surplus results for 2019 is reasonable, as unaudited figures for the first nine months of 2019 show revenue outpacing expenditures, similar to results for the prior-year period.

The city's positive operating results come despite some one-time, residual costs from Hurricane Matthew (2016) and Hurricane Irma (2017). Hurricane Irma is projected to cost the city $71.5 million, while Irma cost the $51.3 million, though officials expect reimbursements of 87.5% (75.0% from Federal Emergency Management Agency and 12.5% from the state). The city has already set aside approximately $15 million in reserves for its share of the costs.

As part of its 2017 pension reform package, Jacksonville reached collective bargaining agreements with all six of its unions that involve wage increases through fiscal 2020 in exchange for increased employee pension contributions and other concessions. The reforms resulted in budgetary savings for fiscal years 2018 and 2019, but led to a net cost of $38 million in fiscal 2020, according to original projections associated with the pension reform package. However, officials note that assessed value growth and the pension reform reserve will serve to offset these costs. The city has budgeted for the use of approximately $8.5 million of the pension reserve in 2020 to account for the third and most impactful year of the salary increase associated with the pension reform, though as a result of conservative budgeting, management reports that this balance may not be utilized. Officials also note that following fiscal 2020, negotiations will "normalize" as pension reform is off the table, raising the prospect for more manageable wage discussions.

The mayor's 2020 budget seeks to increase capital spending to $172 million and operating costs by $53 million while maintaining the millage rate. Strong assessed value and sales tax growth expectation aids the budget, and we find this reasonable given prior trends and development activity. Results for future years may be pressured by rising employee health care costs and the city's public safety unions' leaving the group health care plan, which we understand will speed up the rate at which the city's self-insurance reserve is depleted. This may expose the city's general operations to variability in claims.

However, based on recent operating history, revenue growth in line with expenditures, and the city's strong management practices, we anticipate that budgetary performance will remain strong to adequate in the near term.

Very strong budgetary flexibility

Jacksonville's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2018 of 18% of operating expenditures, or $208.4 million. In addition, the city has the flexibility to raise additional revenues despite statewide tax caps, and we view this as a positive credit factor.

For analytical purposes, we note that this balance excludes the $52 million in unassigned reserves designated as the city's pension reform reserve. Although this balance is technically unassigned and can be utilized for any purpose, we understand it will be used to offset future pension-related costs or salary increases negotiated as part of the city's pension reform. When including this balance, the city's reserve position is equal to 23.1% of expenditures and transfers, supporting our view of the city's overall budgetary flexibility position. The total available calculation includes Jacksonville's committed, assigned, and unassigned general fund balances. We include the committed balance, as this includes the city's emergency reserves and other balances that can be reclassified as readily available.

We understand that management anticipates that favorable revenue and expenditure variances will likely result in fund balance growth for fiscal 2019. Room under the city's statutory millage rate cap also supports its flexibility position, with the 2019 millage rate of 11.44 (constant since 2014) well below its 20-mill statutory cap. With the positive variances, we expect the budgetary flexibility position to remain strong.

Very strong liquidity

In our opinion, Jacksonville's liquidity is very strong, with total government available cash at 56% of total governmental fund expenditures and 4.4x governmental debt service in 2018.

In our view, the city has exceptional access to external liquidity if necessary, as it has issued bonds of varying security types frequently during the past 15 years, and we do not foresee a weakening of its liquidity position. Jacksonville participates in securities lending with its operating portfolio. While this type of activity is relatively unusual for local governments, we do not believe the city's operating portfolio is aggressive as a result. We note that the maximum exposure of the lending program is small at $75 million relative to the city's total portfolio assets (varying from $700 million to $1.2 billion over the course of the fiscal year). Finally, the city maintains a commercial paper program backed by two letter-of-credit providers, though we do not consider it a source of contingent liability risk.

Very weak debt and contingent liability profile

In our view, Jacksonville's debt and contingent liability profile is very weak. Total governmental fund debt service is 12.6% of total governmental fund expenditures, and net direct debt is 141.0% of total governmental fund revenue. Negatively affecting our view of the city's debt profile is its exposure to speculative contingent liabilities. Overall net debt is low at 2.4% of market value, which is, in our view, a positive credit factor.

We view the city's additional debt plans as manageable relative to debt amortization, with about $120 million to $160 million anticipated to be issued over each of the next several years to finance capital improvement projects. With last year's refunding of the 2008B bonds, the city eliminated its expose to long-term variable rate debt and swap agreements. The city's only variable rate exposure is under its commercial paper program, which we understand maintains approximately $24.2 million in draws outstanding.

In our opinion, a credit weakness is Jacksonville's large pension and OPEB obligation, combined with the extended timeframe in which pension reform is anticipated to result in improvements to the net pension liability. Jacksonville's required pension and actual OPEB contributions totaled 15.5% of governmental fund expenditures in 2018. The city fulfilled its annual required pension contribution. The funded ratio of the largest pension plan is 47.2%.

Jacksonville sponsors three underfunded defined benefit pension plans: the general employees' pension plan (65% funded), the corrections officers pension plan (53% funded), and the police and fire pension plan (48% funded) on a GASB basis. The city approved legislation finalizing its pension reform package in April 2017. In our view, the overall reform package represents an improvement from the previous pension framework, but we still see some inherent risks with this strategy that offset some of its immediate benefits to Jacksonville's credit quality. In particular, none of the changes (including the identification of a new dedicated revenue stream, an increase in employee contributions to the system, commitment to minimum payments, and limitation of liability growth by closing the plans to new participants) translate into an immediate injection of assets. By accounting for sales tax receipts today that will not be collected for more than a decade, deferring actual contributions results in additional assumptions and risks to the system and has the effect of offsetting our opinion of the near-term benefits to the city's credit quality. For more information, please see our report "Jacksonville Adopts Pension Reform, But The Ultimate Impact On Credit Quality Remains Uncertain," published May 24, 2017.

We note the city continues to make positive assumption adjustments, including reducing the discount rate across all plans. Each plan now carries a discount rate of 7.0%. Our view of improvements in the city's pension systems could improve if dedicated sales tax growth remains above assumed levels as the date revenue is received by the plans approaches and if GASB-based funded ratios improve.

As required by state statute, the city allows retirees to participate in its health insurance plan and pay the full premium associated with elected coverage levels. As a result of this access, Jacksonville is deemed to have an implicit rate subsidy and is therefore required to calculate an OPEB liability.

Strong institutional framework

The institutional framework score for Florida municipalities with revenue or expenditures greater than $250,000 is strong.

Outlook

The stable outlook reflects our view of the city's very strong budgetary flexibility resulting in part from proactive management, aided by robust economic growth. We do not expect to change the rating during our two-year horizon.

Downside scenario

All else being equal, a deterioration of the financial factor scores could result in a lower rating. Outside the outlook horizon, we believe the city's high fixed charges could pressure budgetary flexibility and performance if pension fund results do not meet assumptions in the medium term. Given the city's involvement in the litigation and the overlap in governance, the outcome of the lawsuit and ultimately decisions around JEA's contractual obligations may lead us to reconsider the credit rating.

Upside scenario

All else being equal, a moderation of fixed carrying charges and continued amortization of the combined net pension liability could result in a higher rating.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015
- 2018 Update Of Institutional Framework For U.S. Local Governments

Ratings Detail (As Of August 13, 2019)		
Jacksonville misc tax		
Long Term Rating	AA/Stable	Affirmed
Jacksonville misc tax		
Long Term Rating	AA/Stable	Affirmed
Jacksonville misc tax		
Long Term Rating	AA/Stable	Affirmed
Jacksonville GO ICR		
Long Term Rating	AA/Stable	Affirmed
Jacksonville Office of Econ Dev (Metro Pkg Solutions Proj) (ACA)		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

Attachment 4b

FitchRatings

Fitch Rates Jacksonville, FL's $203MM Special Revenue Bonds 'AA-'; Outlook Stable

Fitch Ratings-New York-12 August 2019: Fitch Ratings has assigned an 'AA-' rating to the following bonds to be issued by the city of Jacksonville, Florida:

-$154,515,000 special revenue and refunding bonds, series 2019A;
-$48,425,000 special revenue refunding bonds, series 2019B.

Fitch has also affirmed the following ratings:

--Issuer Default Rating (IDR) at 'AA';
--Approximately $979 million of outstanding special revenue bonds at 'AA-'.

The Rating Outlook is Stable.

The bonds will be sold via negotiation on or about Aug. 27. Proceeds will finance and refinance the acquisition and construction of certain capital equipment and improvements. Proceeds will also be used to refund all or a portion of the following bonds for debt service savings: (i) taxable special revenue bonds, series 2009B-1B (direct payment Build America Bonds), (ii) excise tax revenue bonds, series 2009A, and (iii) capital projects revenue bonds, series 2008A and series 2008B.

SECURITY
The special revenue bonds are backed by the city's covenant to budget and appropriate non-ad valorem (NAV) revenues sufficient to pay debt service. The NAV covenant shall be cumulative to the extent not paid, and shall continue until such non-ad valorem revenues or other legally available funds are sufficient to make all such required payments under the bond resolution. Certain outstanding special revenue bonds, including the series 2019B bonds, are also backed by a subordinate pledge of Better Jacksonville Plan (BJP) infrastructure sales tax revenue. (Fitch currently rates the BJP sales tax revenue bonds 'A+' with a Stable Outlook.)

ANALYTICAL CONCLUSION

The 'AA' IDR reflects Fitch's expectation that the city will continue to demonstrate a prudent level of fiscal management, contributing to generally stable financial results and adherence to formal reserve policies that we view as an integral part of the city's overall financial resiliency. Recent pension changes have resulted in the closure of each of the city's defined benefit pension plans and produced near-term budgetary relief but have not relieved the city of the high cost of servicing its pension and debt liabilities, nor the risk that underperforming various pension plan assumptions could further elevate carrying costs. The 'AA-' rating on the special obligation bonds is notched off of the IDR; the notch distinction reflects the statutory priority to the payment of essential governmental services over debt service, and the inability to compel the city to generate NAV revenues sufficient to pay debt service.

Economic Resource Base
Jacksonville is the most populous city in the state of Florida and the anchor of the northeast Florida economy. The regional economy has grown at a steady pace and it is adequately diverse, but there is some concentration in the federal government owing to the presence of several naval installations. Unemployment and median household income metrics track closely to those of the state.

KEY RATING DRIVERS

Revenue Framework: 'aa'
General fund revenue growth is expected to continue at a slow pace over the long-term consistent with historical patterns and notwithstanding the current strong performance spurred by increases in the city's tax base. The city retains a significant margin within existing statutory tax rate limits which lessens risk to tax base and revenue volatility through economic cycles.

Expenditure Framework: 'bbb'
Expenditure flexibility is viewed by Fitch as limited given the city's elevated cost of servicing debt and retiree benefits. The actuarial cost of funding the city's pension liability will remain high but more manageable in the near term following pension changes effective for fiscal 2018, assuming the systems achieve forecast return targets. Employee wages consume the bulk of other spending requirements and are subject to a collective bargaining process whereby impasse resolution is achieved via action of the city council. Recent spending growth has focused on public safety and capital investment, particularly in the city's downtown area, in an effort to foster improved economic investment.

Long-Term Liability Burden: 'aa'
Overall debt and net pension liabilities are measured at almost 18% of personal income. However, Fitch estimates the metric is lower by several percentage points after netting out the proportionate share of the net pension liability (NPL) associated with the Jacksonville Electric Authority (JEA), placing the city more comfortably within the 'aa' range. Increases in capital spending and debt are planned but should remain manageable in the context of the city's growing economic resource base and the amortization of outstanding debt.

Operating Performance: 'aaa'
The city's financial performance has remained very stable over the prior decade notwithstanding the pressures associated with higher pension payments and recessionary tax base and revenue stress. Unrestricted reserves remain compliant with formal policies and contribute to a high level of financial flexibility when considered in the context of the city's revenue raising powers and limited spending flexibility.

RATING SENSITIVITIES
Liability Burden Constrains Rating: Fitch believes the IDR will likely remain constrained by the high cost of servicing the city's long-term debt and unfunded pension liabilities. Furthermore, rating pressure may materialize if the city's long-term liability burden increases materially beyond current levels absent commensurate growth in its economic resource base.

CREDIT PROFILE

Jacksonville is located in northern Florida along the Atlantic coast. The city has an estimated 2018 population of 903,889 which is up 10% from the 2010 census, trailing the 13% rate of growth throughout the state over the same period. The city has a comparatively young population relative to the state and U.S. with only 13.5% of residents age 65 or older. Median household incomes approximate the state average and the individual poverty rate is slightly elevated. Median home values are trending positive but remain roughly 25% below the statewide figure reported by Zillow.

The city's labor market tracked closely with that of the state during the last recession while job growth has picked up in recent years following a somewhat slower pace of initial recovery. Employment composition in Jacksonville is fairly comparable to that of the state with a strong concentration in trade, transportation and utilities, professional and business services, and education and healthcare. The largest employers in the city include Baptist Health, Mayo Clinic, Bank of America Merrill Lynch, and Florida Blue. Jacksonville also has a large federal military presence, anchored by Naval Station Mayport, with a collective active duty and civilian employment of more than 41,000.

Revenue Framework

Property taxes are the single largest funding source for general operations accounting for roughly 50% of the approximately $1.37 billion fiscal 2020 proposed general fund budget. The next largest revenue stream for the general fund is an annual contribution from the Jacksonville Electric Authority (JEA) at about 9% of total revenue. The JEA contribution is outlined in an interlocal agreement between the city and the JEA which was recently extended through fiscal 2021. The agreement establishes a funding floor at the current year level and annual increases in the contribution amount of at least 1%. The JEA is a component unit of the city whose governing body is appointed by the mayor and budget subject to approval by the city. Fitch rates the JEA's electric system revenue bonds and its water and sewer system revenue bonds 'AA' with a Stable Outlook.

The remainder of general fund revenue is largely derived from various dedicated taxes, franchise fees, and service charges. State-shared sales taxes, including the local government half-cent sales tax (LGST), account for almost 12% of the budget. LGST distributions reflect the level of sales tax activity within the Duval County/Jacksonville consolidated government and a population-based sharing formula pursuant to which the city receives about 95% of LGST distributions. The city also records revenue related to two separate voter-approved half-cent levies for transportation and various infrastructure improvements outside of the general fund. The utility services tax - roughly 7% of the budget - is a 10% levy (the maximum rate permissible by law) on the sales of water, electric, and natural gas. The base rate component of the bill is what is taxed, so the utility service tax will fluctuate based on consumption and utility rates.

Fitch believes general fund revenues are likely to continue a slow pace of growth absent policy action, reflecting tendencies of the tax base and various dedicated tax revenues to fluctuate with changes in the economic cycle. General fund revenues increased at a 10-year CAGR of 2.1% through fiscal 2018 but the growth recorded incorporates a series of tax rate increases and other policy actions to alleviate the fiscal impact of the recession and housing market crisis. Recent general fund performance been healthier and the proposed fiscal 2020 budget projects a 4.5% increase in general fund revenue without any increase in the tax rate or other policy action. Ad valorem taxes are expected to rise nearly 8% or $49 million over the adopted fiscal 2019 budget due to growth in the city's taxable assessed value (TAV) and sales tax revenues projected to increase almost 3% (or $4.3 million). The general fund contribution from JEA increases 1% as per the interlocal agreement. However, declining utility consumption remains a potential risk to the city as it negotiates future levels of financial support from the JEA and in respect of its utility tax revenue stream which is budgeted to decline by 1.6% (or $1.5 million) on the year.

As a joint city-county Jacksonville is subject to a 20 mill statutory cap of its non-voted ad valorem tax rate, whereas the proposed fiscal 2020 budget maintains the city's tax rate of 11.44 mills for the 7th consecutive year. The tax rate flexibility within the statutory cap positions the city to manage challenges associated with future tax base declines or other revenue stresses without impairing overall credit quality. Annual changes in the property tax rate are determined using a roll-back or revenue neutral rate, which is then adjusted for changes in the Florida per capita personal income. However, this limitation may be overridden by vote of the city's governing body. The city also has the ability to increase various license and permit revenues and service charges that make up a smaller but still notable portion of its revenue base.

Expenditure Framework

Jacksonville provides a broad range of governmental activities but spending is led by the operation of the sheriff's office and fire and rescue which account for roughly 55% of the general fund budget. The bulk of spending is in the form of employee wages and health benefits, which are subject to collective bargaining, and contributions toward debt service and pensions.

General fund spending pressures were driven in large part by the rapidly rising cost of funding the city's pension systems. Pension contributions increased from $125 million in fiscal 2011 to almost $292 million in fiscal 2017 (in excess of the actuarially determined contribution (ADC) of $279.5 million). The pension surtax legislation signed into law in 2017 lowered the ADC to approximately $225 million in fiscal 2018. The lower pension ADC was largely due to a resetting of the amortization period for each of the pension plans to 30 years from 21-24 years prior to the pension reform. The lower pension ADC also reflects the recognition of the present value of the revenue to be generated from the pension surtax approved by voters in 2016 as an offset to the actuarial liability. These actuarial adjustments are stipulated in the pension surtax law and affect the funding valuations of pensions and the resulting ADC but not the accounting valuations disclosed in city's financial statements.

The city's pension costs are forecast to rise approximately 3% per year over the next 10 years assuming the city's pensions achieve their forecast targets for investment returns. The forecasted pension costs are inclusive of the cost of funding the defined contribution pension plans established for new hires as a component of the city's pension reform plan. Fitch views the amortization extensions as a form of liability deferral as it will result in a higher aggregate payment obligation through fiscal 2049 in exchange for budget relief in the near term. Extension of the amortization period was designed to align the higher future pension obligations with the collection period of the pension surtax.

The still-high cost associated with the payment of the city's long-term liabilities remains a key credit weakness. Carrying costs for debt and retiree benefits were equivalent to roughly 27% of governmental spending in fiscal 2018 despite the ADC reduction. Fitch estimates a modest reduction in this figure after netting out the pension contributions associated with employees of the self-supporting JEA enterprise. Going forward, underperformance of pension assets, other funding assumptions or the dedicated pension surtax itself could further elevate carrying costs.

Expenditure flexibility is most notably evident in the city's legal ability to control employee headcount. Recent budgets have increased staffing, particularly in public safety, but the city still operates with considerably less headcount than prior to the recession despite continuing growth in population. The city engages in collective bargaining with various labor groups representing general employees, police, fire, and correction officers. All six of the city's unions are operating under current contracts. Under Florida law if an impasse is declared both parties are required to engage in a non-binding mediation process following which the governing body of the local government may ultimately impose contract terms for the year.

Pension Reform & Pension Surtax Authorization

In August 2016 Jacksonville voters approved a referendum authorizing the extension of a 1/2 cent local option sales tax for the explicit purpose of paying down the city's pension liability. Fitch views the establishment of a dedicated, reliable, and broad-based revenue stream for pension funding as a positive credit development. However, the pension surtax will not commence until the existing BJP infrastructure sales tax terminates on Dec. 31, 2030 (or the earlier date on which all BJP-related debt is repaid).

Under GASB rules the pension surtax is not recognized as an asset to the pension plans for reporting purposes, but state law requires the PV of the pension surtax to be taken into consideration in the calculation of the city's ADC which combined with the re-amortization of the liability results in immediate budgetary relief. The pension surtax will remain in effect for a period of up to 30 years from its commencement date or until the city's pension plans are fully funded, whichever comes first. The annual proceeds of the pension surtax will be distributed to each of the city's three defined benefit pension plans based on their respective percentage of the total pension liability (TPL).

The pension surtax will be levied and collected in the same manner as the BJP infrastructure sales tax, which generated more than $90 million in fiscal 2018. The BJP infrastructure sales tax has increased at a 10-year CAGR of 2.5% through fiscal 2018. The city's pension actuarial analysis assumes a 4.25% rate of growth which Fitch views as somewhat optimistic, although recent performance has been quite strong with collections up 7.6% in fiscal 2018 and projected to rise an additional 6.5% in fiscal 2019. The city adopted an ordinance that requires an annual review and setting of the sales tax revenue growth assumption utilized in the actuarial analysis. The present value of the pension surtax may be written down if tax revenues underperform requiring higher future pension contributions from the city than are currently anticipated, but the ordinance does not impose a specific requirement to change the assumption based on actual or projected revenue collections.

The city also reached an agreement with each of its collective bargaining units that closed the three defined benefit pension plans to new members hired on or after Oct. 1, 2017 and establishes a defined contribution plan(s) for new hires. Employee contributions to each of the closed defined benefit plans were increased to 10% of salary from the previous rate of 8.0% for police and fire, 8.0% for corrections, and 7.7% for general employees. The additional employee contributions will be offset by pay raises that will range from 4.5%-7.0% per year through fiscal 2020 for most employees. Employees had not received a salary increase since 2008 and also agreed to a 2% wage cut in 2010. The city established a pension reform contingency of almost $60 million in the fiscal 2018 general fund budget to set aside additional funds from recurring revenue to begin to cover the current and future cost of the salary increases, and it expects to initiate negotiations for the successor contracts in early 2020.

Long-Term Liability Burden
Jacksonville's long-term liabilities (overall debt and Fitch-adjusted NPL) are estimated by Fitch at more than $6.8 billion or approximately 18% of total personal income. The Fitch-estimated long-term liability burden is comprised of a $4.3 billion NPL which reflects Fitch's baseline 6% investment rate of return assumption and close to $2.5 billion in overall debt (including $2.2 billion in direct debt issued by the city). Fitch estimates the JEA's proportionate share of the city general employee pension plan at roughly 2% of personal income, which would lower the city's long-term liability burden more comfortably within the moderate range.

As stated previously, the recognition for funding purposes of the PV of the pension surtax does not lower the NPL but it is used as an offset to the unfunded liability in the calculation of the city's ADC as per state law. Regardless of how pension-related financial transactions affect the funding valuation, Fitch will continue to rely on GASB-derived pension data when calculating the long-term liability burden, while recognizing that a future source of support exists that is not reflected in the figure. Given the large component of the long-term liability burden derived from the NPL Fitch believes there is heightened exposure to shifts in the metric related to the actual experience of the pension plans relative to their respective assumptions (which are largely outside of the control of the city).

As the city's economy and revenues have improved it has steadily increased planned capital spending following an extended period of debt reduction driven by deferment of non-critical investment and scaled back borrowing. The proposed plan for fiscal 2020-2024 totals $732 million (1.9% of personal income) in general capital improvement projects, an increase of about $310 million from the plan adopted for fiscal 2018-2022. About three-quarters of the current plan is expected to be financed via debt which would be within the scope of the amount of outstanding principal scheduled to be repaid within the next five years. The bulk of the capital program is for various road improvements, and it also includes $120 million for improvements at the University of Florida Health Jacksonville.

Subsequent to the release of the proposed fiscal 2020-2024 capital plan the city announced its intention, subject to approval by the Downtown Development Authority and city council, to jointly develop the Lot J property adjacent to TIAA Bank Field with a group that includes an investment company affiliated with the owner of the NFL's Jacksonville Jaguars and The Cordish Companies. The city is proposing to cover $233 million of the project's $450 million total cost to fund various infrastructure improvements, public space, and parking. The project, which is slated to include a hotel, a Live! Arena entertainment district, a 300-unit residential tower, and an office building, is part of the city's broader effort to develop its downtown area which appears to be gaining momentum as evidenced by growth in the downtown population and projects underway.

In July 2019 the JEA board unanimously approved a resolution authorizing it to take any and all actions in connection with the evaluation of potential opportunities to privatize the JEA. Any potential sale or similar transaction regarding JEA's electric, water and sewer system would currently require the approval of the city council as well as a referendum approval of the terms and conditions of the sale. For a proposal to be considered by JEA and its advisors, the JEA board has stated that a proposal must meet a minimum $3 billion of unencumbered cash proceeds provided to the city. The mayor supports using the proceeds from a sale of the JEA to pay down the city's total outstanding debt, which would eliminate the city's total annual debt service burden (which was almost $190 million alone for governmental activities in fiscal 2018), offsetting the loss of the JEA contribution to the city's general fund budget, and commence the collection of the pension surtax several years prior to the current timeline.

Operating Performance
Fitch believes the city maintains a high capacity to manage challenges associated with an economic downturn. At the close of fiscal 2018 (Sept. 30 year-end) the city's unrestricted general fund position (the total of assigned, unassigned, and committed fund balance) totaled more than $260 million or 23% of general fund spending and transfers out. The city's reserve position has steadily increased from a recent low point of $103.5 million or 10% of spending in fiscal 2010. The city is required by ordinance to maintain a separate emergency and operating reserve each equal to 5% to 7% of spending. On a combined basis the reserve policies amount to a level Fitch views as sufficient in a downturn for the 'aaa' operating performance assessment. Fitch's assessment of the city's financial resilience is further guided by its midrange inherent budget flexibility, which stems from its high independent legal revenue raising authority and limited expenditure flexibility constrained by a high cost of debt service and retiree benefits.

Management of the city's operating budget remains a credit positive. The city produced positive operating results after transfers throughout the recession largely through the enactment of various revenue enhancements and spending reduction measures (including employee concessions) despite the challenge of meeting escalating pension costs. As noted earlier the city has significantly improved upon its unrestricted reserve position in the general fund since fiscal 2010 and it is forecasting another year-end surplus for fiscal 2019 based on financial results year-to-date. Through June 30 general fund revenues are projected to outperform budget by $10.1 million and expenditures are tracking $7.7 million below budget. The proposed general fund budget for fiscal 2020 totals $1.73 billion or a roughly 4.5% increase over the adopted fiscal 2019 budget. As noted earlier, the budget does not propose an increase in the millage rate or other revenue adjustments. The proposed budget is considered structurally balanced, identifying about $8.5 million in fund balance transfers for one-time uses plus $5 million in pay-as-you-go capital.

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U.S. Public Finance Tax-Supported Rating Criteria (pub. 03 Apr 2018)

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